

Message Text

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TO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

INFO AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: BEXP, BR

SUBJECT: SIDERBRAS STEEL EXPANSION PROGRAM

REF: RIO DE JANEIRO 3877

1. SUMMARY: OUR FEEDBACK INDICATES TASK FORCE PARTICIPANTS ARE GENERALLY OPTIMISTIC ABOUT PROSPECTS FOR CONTRACT AWARDS PARTICULARLY AT CSN. HOWEVER, THERE REMAINS CONCERN THAT JAPANESE MAY AGAIN UNDERBID ALL COMPETITORS ON CERTAIN COMPONENTS. COMPANIES ARE NOT SURPRISED THAT BRAZILIANS RENEGED ON THEIR COMMITMENT FOR PRICE RANGE AT TIME OF OPENING OF TECHNICAL ENVELOPES. UNFORTUNATELY WE BELIEVE IT MAY BE TOO LATE TO RAISE OUR CONCERN WITH SIDERBRAS.

2. RESPONSES VARIED FROM COMPANIES REGARDING THEIR CURRENT FEELING FOR CSN EXPANSION. IN GENERAL IT SEEMED TO BE OPTIMISTIC. FOR EMBASSY/COUNSEL INFORMATION, THE LIMITED OFFICIAL USE

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TASK FORCE PARTICIPANTS ARE BIDDING THE FOLLOWING

COMPONENTS:

--- . WESTINGHOUSE: ALL ELECTRICALS AND CONTROLS ON THE
--- CSN HOT STRIP MILL, TANDUM COLD MILL, TEMPER MILLS
--- 1 AND 2.

--- . GENERAL ELECTRIC: ALL ELECTRICALS AND CONTROLS
--- ON THE CSN HOT STRIP MILL.

--- . SWINDELL DRESSLER: CSN WALKING BEAM FURNACES,
--- REHEAT FURNACES, ANNEALING FURNACES; COSIPA
--- ANNEALING FURNACES.

--- . AIR PRODUCTS: CSN OXYGEN PLANT; COSIPA OXYGEN
--- PLANT.

--- . ARTHUR G. MCKEE: CSN, COSIPA, USIMINAS SINTER
--- PLANTS.

--- . WEAN UNITED: CSN HOT STRIP MILL TANDEM COLD MILL,
--- PICKLE LINES.

--- . E. W. BLISS: CSN, COSIPA, DOWN COILERS.

--- . MESTA MACHINE: CSN HOT STRIP MILL.

THIS LIST IS NOT ALL INCLUSIVE SINCE MANY OF THE TENDERS
IN WHICH FIRMS MAY BE INTERESTED HAVE NOT BEEN ISSUED.

3. THERE IS INDICATION THAT THE JAPANESE MAY AGAIN
UNDERCUT ALL OTHER COMPETITORS. A GOOD EXAMPLE IS THE
USIMINAS TEMPER MILL. THE JAPANESE ARE 20 PERCENT TO 30
PERCENT BELOW THE THIRD LOWEST OFFER. THE JAPANESE BIDS
ARE 7 MILLION DOLLARS AND 8 MILLION DOLLARS FOLLOWED BY
E. W. BLISS AT 10 MILLION DOLLARS, THE FRENCH AT 12.5
MILLION DOLLARS AND THE GERMANS AT 13.9 MILLION DOLLARS.
E. W. BLISS QUOTED A FIXED PRICE WHICH MAY IMPROVE ITS
CHANCES. IT IS NOT KNOWN WHAT FORM OF ESCALATION IS
INCLUDED IN THE JAPANESE PROPOSALS OR WHETHER THEY ARE
RESPONSIVE TECHNICALLY. WE RECOGNIZE THAT THIS IS JUST
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ONE EXAMPLE BUT MANY OF THE FIRMS ARE USING THIS AS A

BASIS FOR THEIR CONCERN OVER JAPANESE COMPETITIVE
POSITION.

4. COMPANIES ARE NOT SURPRISED BRAZILIANS RENEGED ON
THEIR COMMITMENT TO POST PRICE RANGES AT THE OPENING OF
TECHNICAL ENVELOPES. ONE FIRM EXPRESSED THAT IN

RETROSPECT THE PRICE RANGE PROBABLY WOULD ONLY HAVE
INTRODUCED ANOTHER PSYCHOLOGICAL COMPETITIVE GAME WHICH
WOULD HAVE MADE LITTLE DIFFERENCE IN FINAL OUTCOME.

REGARDLESS OF THIS WE SHARE EMBASSY/CONSUL CONCERN THAT

TASK FORCE PARTICIPANTS DID NOT RAISE THIS MATTER WITH US
SINCE IT WAS ONE OF THE MAJOR COMMITMENTS MADE BY THE
BRAZILIANS DURING THE TASK FORCE SESSIONS.

5. IT IS DOUBTFUL THE BRAZILIANS COULD CHANGE THEIR
PROCEDURES AT THIS STAGE OF THE BIDDING. ACCORDINGLY
EMBASSY/CONSUL SHOULD USE ITS JUDGEMENT REGARDING
RAISING OUR CONCERN WITH SIDERBRAS. REGARDLESS OF THIS
MATTER EMBASSY/CONSUL SHOULD CONTINUE MAKING APPROPRIATE
REPRESENTATIONS IN SUPPORT OF AMERICAN PROPOSALS. KISSINGER

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